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32 (Malagasy Republic)



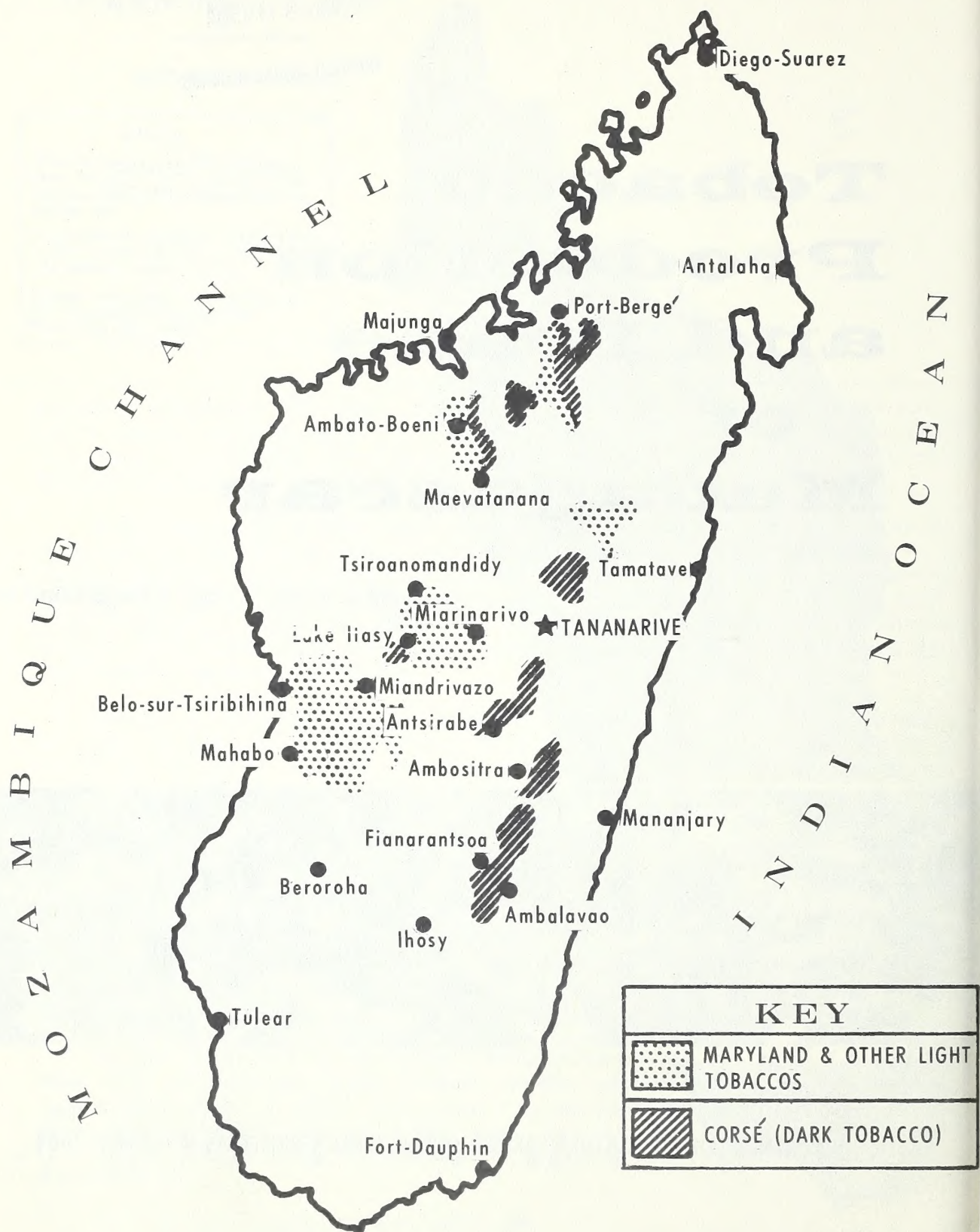
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MADAGASCAR: TOBACCO PRODUCTION AREAS, 1962



FOREWORD

This report, the first comprehensive one published on Madagascar's tobacco by the Foreign Agricultural Service, is based on firsthand observations by the author.

Madagascar tobacco production and trade have so far had little impact on U.S. tobacco trade; Madagascar tobacco exports have been made largely to France.

However, as a former French colony, the area has special import duty advantages in the European Economic Community through its status as an Associated Overseas Country. Should production be increased and the increase exported, Madagascar would have growing importance in world tobacco trade.

Hugh C. Kiger, Director
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TOBACCO PRODUCTION AND TRADE
OF
MADAGASCAR (MALAGASY REPUBLIC)

By Albert B. Davis
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Introduction

Madagascar, now part of the Malagasy Republic created on June 26, 1960, has been increasingly a producer of light type tobaccos and, with special access to the Common Market as an Associated Overseas Country (AOC), has competitive advantages in international trade. In addition, with independence, the country plans to develop its tobacco growing potential further. This would serve both to earn foreign exchange and also to limit imports of tobacco used for manufacture.

Light types of tobacco grown for commercial sale have been planted since 1920 under French Monopoly influence. Output of flue-cured, planted in 1959 for the first time, has grown about sixfold since 1960. An indication of growing interest in tobacco is establishment of a cigarette factory in 1956, with increasing exports of cigarettes, by the year, since 1958.

Tobacco can be grown over a considerable portion of the large island, which is off the southeast coast of Africa and 1,000 miles long by 300 miles wide. Less than 10 percent of the land is now under cultivation. Tobacco is a high-value-per-acre crop, which competes for land with cotton, rice, many vegetables, various fruits, peanuts, manioc which supplements rice, and perhaps other crops.

Lack of large capital investment, necessary for commercial-type tobacco growing, is one factor which may limit expansion. In addition, while possibility of export to France and the European Economic Community (EEC) may give impetus to enlarged production, it is difficult to estimate demand in the EEC for Madagascar leaf. There it would compete with tobaccos from several other French AOC's, as well as tobacco from Greece, Turkey, and other countries with which France has trade agreements including unmanufactured tobacco.

Also, small growers of Madagascar can be expected to be slow in changing types and in making shifts among competing crops to produce commercial tobacco; however, some of the large farms in the Tsiribihina Basin can make shifts--and have done so--to flue-cured and burley.

Little expansion, however, can be expected in growth of Maryland type tobacco--raised commercially in Madagascar since 1932--since the world market for this type is now declining as compared with demand for flue-cured and burley. On the other hand, domestic demand for burley and flue-cured is also limited, so that a large part of any increased production will probably have to be offered in foreign markets.

Production

Earliest tobacco grown in Madagascar, exclusively for the use of farmers, was dark tobacco (tabac corsé). Essentially, the Malagasy likes chewing tobacco, and still shows some reluctance to give it up for the cigarette.

Early planting of light types goes back to 1920, with the intervention of the S.E.I.T.A. Mission of the French Monopoly (Martin Mission), which left a lasting influence on tobacco production and marketing. The type introduced commercially was largely Maryland.

Experimental plantings of burley type and flue-cured tobacco were made in earlier years, but it was not till 1960 that commercial production of these types really began, and definite moves have since been made to increase output of these types.

Tobacco planting (corsé) first took place in the Lake Itasy area near Miarinarivo (the plateau area west of the capital, Tananarive). Then it was expanded to the alluvial plains of the west coast area, from Beroroha north to the Sofia Basin, which is south of Port-Bergé.

Table 1.--Production of tobacco by type, Madagascar, average 1955-59, annual 1960-63

Type	5-year average 1955-59	1960	1961	1962	1963 ¹
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
Flue-cured.....	--	110	276	463	600
Burley.....	--	110	265	265	300
Maryland.....	8,350	8,157	7,002	8,325	8,000
Corsé.....	1,368	1,874	2,065	2,249	2,400
Total.....	9,718	10,251	9,608	11,302	11,302

¹ Preliminary data.

In the beginning production was family-type, as it continues to be in some areas, mainly the High Plateaus. It is only since 1932--as a consequence of colonization--that family production on the west coast has been yielding gradually to a system of industrial cultivation of tobacco by concessions led by European operators. Production techniques followed there are largely those used in France.

At present, family production occupies the Plateaus as well as part of the Majunga Zone on the West Coast. Corsé has been predominantly the type produced by this method; however, Maryland too is being grown by "families" in the Itasy Plateau area. (About 40 percent of family production is of Maryland type tobacco.)

There was relatively little production control of tobacco growing in the main areas until 1959, when S.E.I.T.A. began a quota system, probably motivated by changes in the types of tobacco S.E.I.T.A. needed for manufacture. Changes in blending needs lowered the requirements for Maryland. Production of this type turned out to be below quotas granted during the years 1959, 1960, and 1961.

Local cigarette manufacturers did not require a great deal of Madagascar-grown light tobacco. This was attributed partly to high prices of Maryland tobacco, and absence of any obligation imposed on local manufacturers to use local tobaccos, as well as the ease of importing foreign tobaccos.

The expansion of dark tobacco production has now practically stopped.

The small grower plants tobacco first for his family consumption, then for what is reported to be illegal private sale, and lastly for delivery to the S.E.I.T.A. Mission or market. In the Ambatolampy area, it is reported there are about 2,250 of these small growers, and they deliver only an average 30 to 40 kilos a year (66 to 88 pounds) to the Mission or market.

Today, the area of greatest tobacco production is the Tsiribihina River Basin region in an area including Miandrivazo. Over 99 percent of tobacco production in this area has been carried on by the colonists. Tobacco acreages there are often large; for instance, one plantation visited by the writer grows 371 acres of tobacco on fertile bottom land, mostly of Maryland type. This particular plantation is also growing small acreages of burley and Virginia on a trial basis. It is reported that the burley yields are 1,250 pounds per acre, Virginia 1,070 pounds per acre, and Maryland about 283 pounds per acre.

On this particular plantation, many tenants grow the tobacco; there is approximately one tenant for every 0.6 acre. These tenants have pasturage and food production areas in the higher hillland, which is more abundant than the bottom land.

This region, and the Majunga region around Ambato-Boeni (Betsiboka River Basin) and Port-Bergé (Sofia River Basin), offer perhaps the best opportunities for the expansion of tobacco.

Table 2.--Summary of Madagascar's tobacco production by area and type, 1962

Geographic region	District	Production by type				Total production, all types
		Maryland and other		Corse'		
		Concessions (industrial production)	Family-type production	Concessions (industrial production)	Family-type production	
		<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
West Coast:						
Tsiribihina Basin	Miandrivazo, Belo, Mahabo.	3,968	22	--	--	3,990
Basins of Betsiboka, Bemarivo, and Sofia	Ambato-Boeni, Maevatanana, Mampikony, Port-Bergé...	3,087	--	440	485	4,012
High Plateau:						
Lake Alaotra	Ambatondrazaka.....	44	265	--	--	309
Lake Itasy	Soavinandriana.....	--	882	--	--	882
	Miarinarivo, Tsiroanomandidy, Anjozorobe.....	--	--	--	220	220
Vakinankaratra	Ambatolampy.....	--	--	--	198	198
	Antsirabe, Ambohimahasoa.....	--	--	--	176	176
	Ambalavao.....	--	--	--	508	508
	Total	7,099	1,169	440	1,587	10,295

Table 3.--Estimates of potential tobacco production in Madagascar by area and type, by 1972

Geographic region	District	Production by type				Total production, all types
		Maryland and other		Corse'		
		Concessions (Industrial Production)	Family-type production	Concessions (Industrial Production)	Family-type production	
West Coast		<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
Tsiribihina Basin	Miandrivazo, Belo, Mahabo.....	4,409	661	--	--	5,070
Basins of Betsiboka, Bemarivo, and Sofia	Ambato-Boeni, Maevatanana, Mampikony, Port-Bergé...	4,189	1,102	--	--	5,291
High Plateau						
Lake Alaotra	Ambatondrazaka.....	--	441	--	--	441
Lake Itasy	Soavinandriana, Miarinarivo.....	--	1,543	--	--	1,543
	Tsiroanomandidy, Anjozorobe.....	--	331	--	--	331
Vakinankaratra	Ambatolampy.....	--	287	--	--	287
	Antsirabe.....	--	287	--	--	287
	Ambohimahasoa.....	--	331	--	--	331
	Ambalavao.....	--	--	--	¹ 1,014	1,014
	Total	8,598	4,983	--	1,014	14,595

¹ This is an estimate for the potential production of corse' tobacco in the South in an area which would include Ambalavao, Fianarantsoa, Beroroha, and Ihosy.

Tobacco Research.--Tobacco research has been carried on at Station d'Essais d'Ambohiman. The station is located about 40 miles south of Tananarive and was started by S.E.I.T.A. Following Independence, the French left the station, and the staff is now made up entirely of Malagasy.

Marketing

There is a typical marketing pattern for Madagascar's tobacco entering commercial channels, which is sold to the Monopoly or its successor by growers in the Lake Itasy area. (The production there is handled by small individual operators). The grower takes his tobacco to a local gathering station; from there it is taken to the plant--located in the area--where it is fermented, graded, and packed under supervision of representatives of the French Monopoly. The tobacco fermenting, grading, and packing operations are spread over several months and give employment to several local people. The tobacco is packed in bales (80 lb.) ready for transport by truck to the railroad at Tananarive and thence to the Melia cigarette plant in Antsirabe, or for export.

The Maryland type tobacco grown on Madagascar differs from U.S. Maryland tobacco. After fermentation, a common process, it differs even more, since Maryland tobacco is not fermented in the United States. Considerable weight is lost in the fermentation, estimated at 8 percent.

The Tobacco Monopoly had, at the time of the author's visit, other functions connected with Madagascar's tobacco industry, besides marketing.

Table 4.--Production¹ of new type of tobacco, Madagascar, 1959-62

Year purchased	Virginia	Burley	Algerian
	<u>Pounds</u>	<u>Pounds</u>	<u>Pounds</u>
1959.....	19,026	21,616	3,714
1960.....	61,497	59,371	32,496
1961.....	140,632	77,000	110,000
1962 ²	363,000	286,000	220,000

¹ Sales.² Preliminary estimates. (These were conservative).

S.E.I.T.A. had been furnishing tobacco seed, at least for the small-grower operations found in the Plateau area. Growers were told how many plants the seed would produce, and how much tobacco they should harvest. It was reported growers were penalized if they did not deliver the stated amount of tobacco.

Growers in the Plateau were reportedly dissatisfied about the prices they had been receiving, and also about the grading. It is stated that 10 years ago family acreage averaged over 2 acres per grower (or family) and that it has now decreased to 1 acre or even less.

Manufacturing

Deliveries of dark tobaccos to local factories by the S.E.I.T.A. Mission, 1954-61, has increased little, as indicated:

	<u>Tons</u>
1954.....	678
1955.....	645
1956.....	715
1957.....	779
1958.....	785
1959.....	774
1960.....	748
1961.....	730

Annual manufacturing needs for dark tobaccos are estimated to be 800 tons. No expansion in dark tobacco production is expected, and growers are encouraged to try one of the light types.

The entire main section of the High Plateaus from Ambatolampy to Ambalavao is indicated to be the most likely area for family planting of light tobacco.

Authorities are aware of some of the problems of changing over to light tobaccos in the High Plateaus. Some of these problems include the desire of the growers to have some dark tobacco for their own use, disease problems arising from growing both types--light and dark--on his farm, and the problem of seed pollution or mixing. Some authorities have even considered restricting the production of dark tobacco to one area. The Ambalavao Zone, toward the south of the island, was suggested as a possibility.

Table 5.--Imports of cigarettes, 1955, 1956, 1958-62

Origin	1955	1956	1958	1959	1960	1961	1962
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
France.....	1,120	1,896	244	334	335	547	338
Algeria.....	9,923	4,934	71	45	32	25	26
French Somaliland.....	--	4	--	--	--	--	--
United Kingdom.....	176	112	12	12	19	19	29
Ireland.....	4	13	--	--	--	--	--
Netherlands.....	11	20	--	--	--	--	--
Belgium-Luxembourg.....	97	84	--	--	--	21	5
United States.....	141	165	39	25	34	1	66
Other.....	1	1	26	33	38	1	2
Total.....	11,473	7,229	392	449	458	614	466

Source, Statistica Du Commercio, not published for 1957.

Table 6.--Imports of unmanufactured tobacco into Madagascar by origin, 1955, 1956¹, 1958-62

Origin	1955	1956	1958	1959	1960	1961	1962
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
France.....	114	--	378	72	340	85	--
Algeria.....	104	482	366	345	374	704	249
Morocco.....	--	--	--	88	66	--	103
Greece.....	--	--	--	--	29	--	29
Italy.....	--	33	27	31	18	331	--
Netherlands.....	--	--	--	--	85	--	66
India.....	--	--	--	55	154	115	133
Rhodesias-Nyasaland.....	--	--	--	--	62	234	81
Brazil.....	146	48	109	185	56	247	317
Colombia.....	--	58	53	118	132	132	117
Dominican Republic.....	143	105	172	138	327	198	154
United States.....	1,305	15	--	55	7	23	--
Paraguay.....	62	--	73	--	154	128	185
Spain.....	--	--	--	54	--	220	72
Indonesia.....	44	--	--	--	--	110	67
Tunisia.....	110	220	331	--	--	--	--
Other.....	36	56	38	36	² 146	76	22
Total.....	2,064	1,017	1,547	1,177	1,950	2,603	1,595

¹ Source, Statistica Du Commercio, not published for 1957.

² Includes 122,000 pounds from Viet-Nam.

Table 7.--Average prices¹ for imports of unmanufactured tobacco in Madagascar, 1961 and 1962

Origin	1961	1962
	<u>U.S. dol. per lb.</u>	<u>U.S. dol. per lb.</u>
Algeria.....	\$0.33	\$0.48
Rhodesias-Nyasaland.....	.24	.28
Spain.....	.17	.17
Indonesia.....	.23	.32
Colombia.....	.23	.25
Dominican Republic.....	.23	.31
Brazil.....	.32	.26
India.....	.19	.19
Paraguay.....	.20	.24
Morocco.....	--	.12
Greece.....	--	.23
Czechoslovakia.....	--	.34
Average for all imports.....	.27	.28

¹ Converted to U.S. dollars.

Some Malagasy authorities believe that local tobaccos could make up 50 percent of the leaf tobacco used in Malagasy manufacturing. This share is estimated currently at about 330-350 tons. Volume of tobacco manufacture is expected to increase as the population grows. Also, as the standard of living increases, it is expected that there will be a trend away from "home use" of the dark tobacco by the Malagasys. The younger people are expected to use proportionately more factory-made cigarettes in future, and less of the native dark tobacco in the "raw" form.

Malagasy producers blame the large imports of foreign tobaccos from several countries, for blending, on the ability of manufacturers to secure foreign tobaccos at low prices and a zero import duty coupled with ease of importation. Some feel that there should be an import duty at least as long as export taxes on exported tobaccos are maintained.

It is expected that as more light leaf is grown, and control of the Malagasy tobacco industry is centered more and more in the hands of the Malagasys themselves, less low-quality tobaccos will need to be imported, as domestic producers will be able to grow such tobaccos themselves. It is possible that less leaf, but higher quality leaf, will be imported.

The Malagasys expect to produce tobacco for export to the Common Market, and accordingly plan on expansion of production of flue-cured and burley type tobaccos. Producers mention Switzerland as a market for Maryland type tobacco and believe that some manufacturers in North Africa could also use Malagasy's Maryland tobacco because the local tobaccos which they are obliged to use have poor burning qualities.

As a colony, Madagascar had an agreement with S.E.I.T.A. regarding tobacco, up to and including the 1963 crop. As a result of independence, a 5-year transition period in regard to marketing the Malagasy tobacco has been arranged for the phasing out of S.E.I.T.A.'s present role in the tobacco industry. Maximum quantities to be purchased by S.E.I.T.A. to date under the agreement (signed July 21, 1959) were as follows:

	<u>Mil. lb.</u>
1959.....	9.7
1960.....	9.5
1961.....	9.3
1962.....	9.0
1963.....	8.8

As a result of independence, a 5-year transition period in regard to marketing the Malagasy tobacco has been arranged for the phasing out of S.E.I.T.A.'s present role in the tobacco industry.

The conversion to new types of tobacco, Virginia, Burley, Algerian dark air-cured and Paraguayan began in earnest in 1960.

One suggestion made for improving Malagasy's tobacco situation is that dark tobacco production be carried on in the south alone (in the regions surrounding Beroroha, Fianarantsoa, and Ambalavo). Production of dark tobacco in the south, only, could improve quality, reduce illegal sales of dark tobacco, and reduce the threats of disease and of mixing that accompany growth of both the dark and the new light types in the same area.

This would make it possible to grow more light tobaccos for sale, with goals of increasing overseas sales and of satisfying local manufacturers. In addition, the growing of only one type in an area could lend itself to more effective cooperative marketing, not now in existence. (Some Malagasys feel that cooperatives could be effectively used in tobacco production and marketing. About 60 percent of the Malagasys attend school, an asset in becoming good participating members in cooperatives.)

It is likely that the Malagasys will make definite steps to put their proposed plan for tobacco into operation. The government, including agricultural extension officials, is emphasizing farmer cooperatives as a way of improving agricultural production and marketing.

There is evidence, as one travels through the Plateau area, that the Malagasy farmers are cooperating and will do so even to a greater extent, in order to reach their goals for the future.

Foreign Trade

The United States imports a great deal of vanilla and coffee from Madagascar. Other imports from Madagascar include graphite, mica, cloves, clove oil, and sisal fibers.

Value of U.S. exports to Madagascar is only about one-fifth of the value imported from the island. U.S. exports include aircraft and parts, automotive vehicles and parts, machinery and electrical apparatus, grease, and lubricating oils. In 1962, Madagascar took a relatively small amount of manufactured tobacco products (67,000 pounds) from the United States.

France takes about 56 percent of Malagasy total exports in terms of value, and supplies the country with over 70 percent of total imports. France in 1962, had a favorable balance of trade of almost \$40 million.

Tobacco Export Trade.--France has been the main buyer of Madagascar's tobacco; Maryland type has constituted the bulk of all exports. Maryland tobacco has been fermented and packed under S.E.I.T.A. supervision.

Operations of the tobacco industry and foreign trade in Madagascar have been greatly influenced by the French Tobacco Monopoly (S.E.I.T.A.).

In 1956, the first domestic tobacco manufacturing plant (Société Anonyme des Cigarette Mélia de Madagascar) (SACIMEN) began operations in Antsirabe. The Melia Tobacco Company of Algiers was the parent company of SACIMEN. Some of the Antsirabe plant's tobacco needs have been supplied by Malagasy tobacco.

Table 8.--Exports of unmanufactured tobacco, by Madagascar, 1955-62, Jan.-Nov. 1963

Origin	1955	1956	1957	1958	1959	1960	1961	1962	1963
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
France.....	8,441	8,337	(¹)	9,404	8,153	6,560	6,141	7,425	
Reunion.....	110	--	(¹)	120	73	47	54	43	
Other.....	90	--	--	--	--	--	--	--	
Total.....	8,641	8,337	² 9,295	9,524	8,226	6,607	6,195	7,468	8,698

¹ Source, *Statistica Du Commercio*, not published for 1957.

² Data from FAS reports.

In 1955, the year just before the opening of the cigarette plant at Antsirabe, Madagascar imported 1,635 tons of cigarettes and 936 tons of tobacco, in 1961 it imported only 299 tons of cigarettes and 1,180 tons of tobacco.

Production in the Antsirabe plant has consisted of a large proportion of dark cigarettes. The "Melia" is the most popular cigarette. It is a short dark cigarette selling for about 20 U.S. cents per pack. Several other brands are manufactured including the "Oakland", a light blended cigarette, which sells for about 39 U.S. cents.

Cigarette exports by SACIMEN increased each year from 1958 to 1961, as shown:

	<u>Tons</u>
1958.....	5
1959.....	83
1960.....	100
1961.....	138

Madagascar's exports of unmanufactured tobacco increased in 1963 over the volume exported during the low period 1960, 1961, and 1962. Reports indicate that exports during the first 11 months of 1963 reached 8.6 million pounds compared with 7.8 million the first 11 months of 1962.

Import Tax and Tariff Systems.--The Malagasy Republic has both import taxes and import tariffs. Import taxes of about 30 percent are levied on almost all products, for revenue purposes. Import tariffs are usually 5 to 10 percent ad valorem. Imports from France, EEC countries, and the French franc zone are admitted free of import tariffs.

Nontariff Import Controls.--Dollar zone imports are part of global quotas set for all imports other than those from France, EEC, and French Franc Zone countries. There is a strong tendency to deny import licenses for Dollar Zone goods which can be supplied by France or the French Community, whose goods may be imported free without import licenses.

Tobacco manufacturers and the government work in close relationship in the field of distribution of cigarettes and other manufactured tobacco products. Revenue from tobacco products is an important revenue earner for the government. The "Oakland" cigarette manufactured by SACIMEN, Antsirabe, sells for about 95 Malagasy francs (U.S. \$0.38); the government's share for taxes runs 62.5 - 65 Malagasy francs (U.S. \$0.25 to \$0.26).

